

May 16, 1995

DOCKET NO. G-012/AA-93-218

ORDER RESTORING PURCHASED GAS ADJUSTMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Joel Jacobs
Marshall Johnson
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Western Gas Utilities, Inc.
Converting Its Demand Entitlements on
Northern Natural to New Services

ISSUE DATE: May 16, 1995

DOCKET NO. G-012/AA-93-218

ORDER RESTORING PURCHASED GAS
ADJUSTMENT

PROCEDURAL HISTORY

On December 20, 1993, the Commission issued its ORDER APPROVING ENTITLEMENT CHANGES, APPROVING UNDERCHARGE RECOVERY, AND REQUIRING FURTHER FILINGS in the above-entitled matter. In that Order, the Commission required Western Gas Utilities, Inc. (Western or the Company) to bring its Purchased Gas Adjustment (PGA) calculations and its PGA reporting into conformity with Commission rules, to maintain at least two sources of natural gas supply, and to report to the Commission regarding its progress on the latter requirement.

On June 24, 1994, the Commission issued its ORDER SUSPENDING WESTERN'S AUTHORITY TO MAKE GAS ADJUSTMENTS TO ITS RATES. In that Order the Commission found that Western's PGA filings and related reports were still tardy, incomplete, and inadequately documented. The Commission therefore modified Western's PGA, pursuant to Minn. Rules, part 7825.2920, subpart 3. Under the modification, Western was required to use the Commission's estimate of the cost of gas in its PGA until the Company was able to file more accurate monthly PGA reports. The Commission urged the Company to deploy the necessary personnel and to make the necessary practice PGA reports to present its case for reinstatement of the PGA.

In the June 24, 1994, Order, the Commission also required the Company to solicit bids for its gas supply from more than one gas supplier and to report to the Commission on this process.

On November 23, 1994, the Department of Public Service (the Department) filed a report on the Company's efforts at gas supply diversification.

On February 15, 1995, the Department submitted its report on Western's practice PGAs and the

impact of Western's suspended PGA on ratepayers.

On May 4, 1995, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. INTRODUCTION

The Commission's decisions in its December 20, 1993, and June 24, 1994, Orders raised three main issues which must be resolved in this Order: Western's compliance with PGA requirements; Western's estimated costs of gas versus its actual costs during the period the PGA was modified; and Western's diversification of its gas supply.

This Order will address these issues in turn.

II. WESTERN'S PGA FILINGS

In its report, the Department stated that Western's practice PGA filings have been timely and accurate. Western has been amenable to the Department's suggestions for further filing refinements.

Having reviewed the Company's filings and the Department's comments, the Commission finds that Western has demonstrated the ability to conform to the PGA requirements. Under the terms of the June 24, 1994, Order, the Company may resume normal methods of PGA calculations and reporting.

II. COMPARISON OF ESTIMATED COSTS AND ACTUAL COSTS

The Department compared estimated and actual demand and commodity costs for a six month period starting July 1, 1994, the beginning of the PGA suspension period.

The Department found that gas costs experienced a general downward trend during the first six months of the suspension period. As an example, the rates paid by firm customers under the suspension were approximately \$0.18 to \$0.66 per Mcf higher than Western's actual gas costs.

The Department stated that the Commission's use of the Company's weighted-average-cost-of-gas from May, 1993 through June, 1994, to determine the suspended rate had been reasonable. Because the commodity cost of gas fell, however, Western's ratepayers had paid higher rates during the suspension period than they would have if Western's normal PGA had been in effect.

The Department stated that the Company should return the overcollected amount in an interim six-month adjustment and should also include any further overcollections in its regular 1994-95 annual true-up.

The Commission finds that rolling the overcollection into the Company's normal 1994-95 true-up will sufficiently address the results of the PGA rate suspension. An interim adjustment would be unnecessary and would overburden the Company during the time that it is preparing its 1994-95 annual true-up.

III. DIVERSIFICATION OF GAS SUPPLY

In its report, the Department stated that Western now has two gas supply contracts. Western has contracted with Cenergy, a gas marketing affiliate of Northern States Power Company, for 12-month base load supply. Western has also contracted with Midland Marketing Corporation for five-month swing supply.

Although the Department believed that Western has adequately responded to the Commission's diversification requirements, the Department raised some concerns regarding the terms and price of the contracts Western entered into.

The Commission agrees with the Department that Western has sufficiently complied with the Commission's gas supply diversification requirements. Although the Commission recognizes the Department's concerns regarding contract terms, the Commission is comfortable that the Department's ongoing monitoring of the Company's supply contracts will avoid harm to Western ratepayers.

ORDER

1. Western may resume making monthly Purchased Gas Adjustments as of June 1, 1995.
2. Western must include in its 1995 true-up, effective September 1, 1995, all gas costs over-collected between July 1, 1994, and June 30, 1995.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)